



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
TRANSPORTATION TAX FUND
STATE CONTROLLER'S ACCOUNTS
YEAR ENDED JUNE 30, 1979**

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT **F-441.7**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

441.7

FINANCIAL AUDIT REPORT
TRANSPORTATION TAX FUND
(STATE CONTROLLER'S ACCOUNTS)
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI
CHAIRMAN

November 21, 1980

441.7

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Transportation Tax Fund - State Controller's Accounts, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Michael Dendorfer, CPA; Gus Demas; Charles Edington, and Fredrick Lewis.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Transportation Tax Fund (State Controller's Accounts). This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

The Transportation Tax Fund was established to accelerate the transfer of transportation revenue from motor vehicle license fees, fuel taxes, and registration fees through the State's accounting system. The Motor Vehicle Fuel Tax, Motor Vehicle Transportation Tax, and Highway Users Tax Accounts within the Transportation Tax Fund are administered by the State Controller. This report does not include Transportation Tax Fund accounts administered by other state agencies.

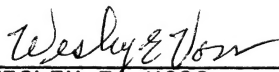
AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the balance sheet of the Transportation Tax Fund (State Controller's Accounts) as of June 30, 1979 and the related statement of changes in assets and liabilities for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Transportation Tax Fund (State Controller's Accounts) at June 30, 1979 and the changes in assets and liabilities for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying supplemental information is not necessary for a fair presentation of the financial statements but is presented as additional analytical data. The supplemental information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



WESLEY E. VOSS
Assistant Auditor General

Date: September 26, 1980

Staff: Curt Davis, CPA
Michael Dendorfer, CPA
Gus Demas
Charles Edington
Fredrick Lewis

STATE OF CALIFORNIA
TRANSPORTATION TAX FUND
(STATE CONTROLLER'S ACCOUNTS)

BALANCE SHEET
AGENCY FUNDS

JUNE 30, 1979

ASSETS

Cash	\$ 690,146
Receivables	597,417
Allowance for deferred and uncollectible receivables	(597,417)
Due from other funds (Note 2)	<u>1,815,626</u>
Total Assets	<u>\$2,505,772</u>

LIABILITIES

Accounts payable	\$ 41,144
Due to other governments (Note 3)	2,000,000
Due to other funds	<u>464,628</u>
Total Liabilities	<u>\$2,505,772</u>

The notes to the financial statements are an integral part of this statement.

STATE OF CALIFORNIA
TRANSPORTATION TAX FUND
(STATE CONTROLLER'S ACCOUNTS)

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

<u>ASSETS</u>	<u>Balance July 1, 1978</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 1979</u>
Cash	\$ 39,946	\$1,938,357,945	\$1,937,707,745	\$ 690,146
Receivables	5,750,556	840,425,220	845,578,359	597,417
Allowance for deferred and uncollectible receivables	(5,742,582)	(840,426,471)	(845,571,636)	(597,417)
Due from other funds (Note 2)	<u>2,020,279</u>	<u>15,626</u>	<u>220,279</u>	<u>1,815,626</u>
Total Assets	<u>\$ 2,068,199</u>	<u>\$1,938,372,320</u>	<u>\$1,937,934,747</u>	<u>\$2,505,772</u>
 <u>LIABILITIES</u>				
Accounts payable	\$ --	\$ 813,763	\$ 772,619	\$ 41,144
Due to other governments (Note 3)	2,000,000	--	--	2,000,000
Due to other funds	<u>68,199</u>	<u>1,073,355,058</u>	<u>1,072,958,629</u>	<u>464,628</u>
Total Liabilities	<u>\$ 2,068,199</u>	<u>\$1,074,168,821</u>	<u>\$1,073,731,248</u>	<u>\$2,505,772</u>

The notes to the financial statements are an integral part of this statement.

STATE OF CALIFORNIA
TRANSPORTATION TAX FUND
(STATE CONTROLLER'S ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and changes in assets and liabilities of the Transportation Tax Fund (State Controller's Accounts). The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by both the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The Transportation Tax Fund (State Controller's Accounts) is an Agency Fund which is used to account for assets held by a governmental unit as a trustee or as an agent for individuals, private organizations, other governmental units, and other funds.

Assets and liabilities are accounted for on the modified accrual basis. Agency Funds are custodial (assets equal liabilities) and thus do not involve the measurement of operations.

The State Controller maintains the following Transportation Tax Fund accounts:

Motor Vehicle Fuel Account

This account is the depository for the collection of producer-broker fuel taxes. Further, it is a major source of state funds for maintaining, replacing, and constructing city streets, county roads, and state highways.

Motor Vehicle Transportation Tax Account

This account is a depository for the collection of license fees and taxes on gross receipts from transportation-for-hire motor vehicles. The Motor Vehicle Transportation License Tax Law was repealed on July 1, 1973; however, the State Controller continues to maintain records to account for the receipt of any tax on operations conducted prior to June 30, 1973 for refunds, for liquidation of any appropriation obligation, and for transfer to the Highway Users Tax Account.

Highway Users Tax Account

Monies received for highway purposes in the Motor Vehicle Fuel Account and the Motor Vehicle Transportation Tax Account are transferred to this fund for further distribution. Apportionments are made to cities and counties for public streets and highways in accordance with applicable sections of the Streets and Highways Code. In addition, \$360,000 is transferred annually to the Bicycle Lane Account in the State Transportation Tax Fund.

2. DUE FROM OTHER FUNDS

This account includes \$1.8 million that is due from the Vincent Thomas Toll Bridge Fund to repay the Highway Users Tax Account for a \$2 million apportionment originally intended for Los Angeles County. This apportionment, which is the subject of Note 3, was diverted to the Vincent Thomas Toll Bridge Fund to help finance construction of the Vincent Thomas Bridge.

3. DUE TO OTHER GOVERNMENTS

This account reflects the amount due to Los Angeles County from the Highway Users Tax Account for repayment of the apportionment diverted to the Vincent Thomas Toll Bridge Fund.

SUPPLEMENTAL INFORMATION

The following financial statement is not considered necessary for a fair presentation of the financial position and changes in assets and liabilities of the Transportation Tax Fund (State Controller's Accounts) in conformity with generally accepted accounting principles. The financial statement is presented as additional analytical data. The supplemental information has been subjected to the audit procedures applied in the examination of the combined financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

STATE OF CALIFORNIA
TRANSPORTATION TAX FUND
(STATE CONTROLLER'S ACCOUNTS)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	Balance July 1, 1978	Additions	Deductions	Balance June 30, 1979
<u>Motor Vehicle Fuel Tax Account</u>				
ASSETS				
Cash	\$ 39,946	\$1,074,153,196	\$1,073,702,996	\$ 490,146
Receivables	5,586,677	840,373,216	845,368,292	591,601
Allowance for deferred and uncollectible receivables	(5,579,703)	(840,373,216)	(845,361,318)	(591,601)
Due from other funds	20,279	15,626	20,279	15,626
Total Assets	<u>\$ 67,199</u>	<u>\$1,074,168,822</u>	<u>\$1,073,730,249</u>	<u>\$ 505,772</u>
LIABILITIES				
Accounts payable	\$ --	\$ 813,763	\$ 772,619	\$ 41,144
Due to other funds	67,199	1,073,355,058	1,072,957,629	464,628
Total Liabilities	<u>\$ 67,199</u>	<u>\$1,074,168,821</u>	<u>\$1,073,730,248</u>	<u>\$ 505,772</u>
<u>Motor Vehicle Transportation Tax Account</u>				
ASSETS				
Receivables	\$ 163,879	\$ 52,004	\$ 210,067	\$ 5,816
Allowance for deferred and uncollectible receivables	(162,879)	(53,255)	(210,318)	(5,816)
Total Assets	<u>\$ 1,000</u>	<u>\$ (1,251)</u>	<u>\$ (251)</u>	<u>\$ --</u>
LIABILITIES				
Due to other funds	<u>\$ 1,000</u>	<u>\$ --</u>	<u>\$ 1,000</u>	<u>\$ --</u>
<u>Highway Users Tax Account</u>				
ASSETS				
Cash	\$ --	\$ 864,204,749	\$ 864,004,749	\$ 200,000
Due from other funds	2,000,000	--	200,000	1,800,000
Total Assets	<u>\$ 2,000,000</u>	<u>\$ 864,204,749</u>	<u>\$ 864,204,749</u>	<u>\$2,000,000</u>
LIABILITIES				
Due to Los Angeles County	<u>\$ 2,000,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$2,000,000</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash	\$ 39,946	\$1,938,357,945	\$1,937,707,745	\$ 690,146
Receivables	5,750,556	840,425,220	845,578,359	597,417
Allowance for deferred and uncollectible receivables	(5,742,582)	(840,426,471)	(845,571,636)	(597,417)
Due from other funds	2,020,279	15,626	220,279	1,815,626
Total Assets	<u>\$ 2,068,199</u>	<u>\$1,938,372,320</u>	<u>\$1,937,934,747</u>	<u>\$2,505,772</u>
LIABILITIES				
Accounts payable	\$ --	\$ 813,763	\$ 772,619	\$ 41,144
Due to Los Angeles County	2,000,000	--	--	2,000,000
Due to other funds	68,199	1,073,355,058	1,072,958,629	464,628
Total Liabilities	<u>\$ 2,068,199</u>	<u>\$1,074,168,821</u>	<u>\$1,073,731,248</u>	<u>\$2,505,772</u>

OTHER COMMENTS

As an integral part of our examination, we reviewed the accounting procedures and the related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the financial statements present financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the State Controller in conjunction with certain recommended adjusting entries necessary in order to achieve compliance with generally accepted accounting principles.

The State Controller generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps